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SUBJECT: UPCOMING MERCOSUR SUMMIT UNLIKELY TO SCORE MUCH PROGRESS

SUMMARY

¶11. (SBU) SUMMARY: On December 8, Montevideo will host Mercosur's 38th Presidential Summit. The GOU's main targets at the beginning of its pro-tempore presidency were on the commercial, external relations and institutional fronts. Achievements seem to have fallen short on every front and no major outcome is expected from the upcoming Summit. Key long-term GOU priorities, elimination of the double imposition of the bloc's common external tariff and agreement on a Customs Code, do not appear to have advanced appreciably. In the absence of concrete progress on economic and commercial areas, comments on regional politics (especially Honduras) and the initial meeting between Uruguayan President-Elect Mujica and Brazilian President Lula da Silva will be closely watched. END SUMMARY

MERCOSUR'S 38TH SUMMIT

¶12. (U) On December 8, Montevideo will host the 38th Presidential Summit of Mercosur; the Southern Cone Common Market composed of Argentina, Brazil, Paraguay and Uruguay that has Chile and Bolivia as associate members, and to which Venezuela is in process of adhering. The presidents of Argentina, Brazil and Paraguay will attend the Summit. Canadian Deputy Minister of Foreign Affairs Leonard Edwards is invited as an observer as will Colombian Vice President Santos. It is still unclear if Hugo Chavez will attend. The Summit will be preceded by a Common Market Council ministerial and a meeting of Ministers of Economy and Central Bank Presidents, both of which will take place on December 7.

¶13. (SBU) Upon taking on the bloc's pro-tempore presidency in July 2009, the GOU defined a Mercosur agenda for the second half of the year that aimed to make concrete progress on three areas: commercial issues, external relations and institutional aspects, many of which Embassy contacts had acknowledged in July would be difficult to achieve.

ECONOMIC AND COMMERCIAL GOALS

14. (U) On the economic and commercial front the GOU sought to improve the bloc's Customs Union by adopting a program to eliminate the double imposition of the bloc's Common External Tariff. MFA contacts admitted in July this was highly unlikely to be achieved during Uruguay's presidency, but remained a key long-term goal of the GOU.

15. (U) The GOU also looked to reducing asymmetries between large and small partners through harmonizing competitiveness-distorting public policies, eliminating current non-tariff barriers (NTBs), and adopting mechanisms to deal with new NTBs. The GOU proposed projects to improve the coordination of fiscal and macroeconomic policies among members, and define a list of strategic projects in the areas of energy, productive integration and development of regional public goods. Mercosur officials told Emboffs that no substantial progress has been made in these areas.

EXTERNAL RELATIONS

16. (U) The GOU sought to "create conditions" for a resumption of trade negotiations with the European Union, signing an agreement with the Gulf Cooperation Council and to resume negotiations with the Central American Integration System. Mercosur and the EU met on November 24 (for the first time since 2006) to begin to revive stalled negotiations. They announced another meeting for the first half of 2010 when Spain and Argentina will hold the EU's and Mercosur's presidencies, respectively. Mercosur also met with Egypt (for the first time since Egypt invited Mercosur to negotiate a fixed-preferences agreement in 2004), and with South Korea (for the third time since 2005 when they initiated a joint study on the possibility of negotiating a free trade agreement), but no substantial progress was reported.

17. (U) In support of its longstanding objective to conduct trade negotiations independently from the bloc, the GOU had stated that "in order to achieve such goals, without affecting the commercial interest of any partner and allowing all partners to benefit from open regionalism" Mercosur would "study the possibility of enabling mechanisms that respect the economic and institutional realities of each partner". In practice, the GOU did not push this agenda during the semester as it did not undertake any relevant trade negotiation independently from its Mercosur partners.

INSTITUTIONAL PRIORITIES

18. (U) On the institutional front the GOU had two main goals. It sought to analyze Mercosur's institutional structure and propose rightsizing measures to adapt key institutions to ever-increasing tasks. Secondly it planned to examine the strict compliance of partners with MERCOSUR's legislation and the strengthening of mechanisms such as dispute settlement and effective compliance of arbitral decisions.

¶9. (SBU) COMMENT: In the absence of concrete advancement on the economic agenda, Mercosur leaders often revert to political statements and resolutions. The situation in Honduras will no doubt come up and there may be some positioning on the Colombia Defense Cooperation with the U.S. Post will also be watching the anticipated meetings between President-Elect Jose "Pepe" Mujica and the Mercosur leaders, expected on the margins of the summit.

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